

Lloyd's Capital Return 2021

MDC Development

Last updated: 30 July 2020

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LCR Notes

- **Forms 309-314, 540**
The LCR Notes in the LCR Specification have been updated.
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CSV template upload

- **Functionality to upload the whole LCR into MDC**
A template will be made available on lloyds.com for agent to download and populate the whole LCR.
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Comparison Report & Direct Data Extract

- **Functionality to view the whole LCR**
The reports are already available in MDC. They will be modified to include the whole LCR.
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Tolerances

- **Validation and Warning changes**
A tolerance of £100,000 has been included in all Errors which involve comparison between cells.
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Form 012

- **New cell added**
Comparative LCR dropdown
 - Dropdown will be included to select LCR to populate the "Selected Return" (previous LCR) metrics in form 600 Analysis of Change.
 - **New Validation added**
Hypothetical LCR
 - Selection must not be empty.
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Form 309

- **New cells added**
Management Adjustments (one-year: cell A2a, ultimate: cell B2a)
 - New input cells for Management Adjustment (AKA "Self-loads"), on an ultimate and one-year basis, have now been included in the Headline table. These also form extra components for the Total SCR calculation in cells A4 (one-year) and B4 (ultimate).
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Form 311

- **Annual Incremental Rollover of Year of Account (from 2020 to 2021):**

- **New row added**

Table 1, 2021 YOA row:

- Net Insurance Claims (col I), Adjustments (col J), New Business (col K), Total Claims (col L)

- **Validation change**

2020 Adjustments (col J)

2020 New Business (col K)

- Validation deleted: Error if not zero & no Unincpted Legal Obligations indicated on form 012.

2021 Adjustments (col J)

2021 New Business (col K)

- Validation added: Error if not zero & no Unincpted Legal Obligations indicated on form 012.

- **Warning change**

2018 New Business (col K)

- changed from “warning if negative” to “warning if not zero”.

2020 New Business (col K)

- Warning deleted: warning if zero & Unincpted Legal Obligations are indicated on form 012.

2021 New Business (col K)

- Warning added: warning if zero & Unincpted Legal Obligations are indicated on form 012.

- **Pre-populate cells update**

2020 Net Insurance Claims (col I)

- changed from pre-populating from 312 table 2 column H, to 312 table 1 2020 YOA column H.

2021 Net Insurance Claims (col I)

- New cell: this will pre-populate from form 312 table 2 column H.

2021 Total Claims (col L)

- New cell: this will calculate as: form 311 table 1 col I plus col J plus col K.

Form 312

- **Annual Incremental Rollover of Year of Account (from 2020 to 2021):**

- **New row added**

Table 1, 2020 YOA row:

- The whole row will be created. This is a copy of the 2019 YOA row.

Form 314

- **Row header change**

Table 2 Market Risk, row 1a

- The row header is being changed from “Interest Rate Risk on liabilities” to “Interest Rate Risk on technical provisions (excluding risk margin)”.

- **Warning change**

Cell D1a - Interest Rate Risk on technical provisions (excluding risk margin): Mean Outcome

- The warning is being changed from warning if positive to warning to negative.

- **New Warning added**

Cell G9 – Total SCR: Mean Outcome

- A new warning is being included. Cell G9 should be equal to form 310 column A row 2.

Form 400

- **Remove section**
The whole form 400 is being removed.
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Form 500

- **Remove section**
Joint Quartile Exceedance Probabilities section (Qu2)
 - The whole of Qu2 is being removed.
 - **New Validations added**
CAT Exposed (column C), Cyber Exposed (column D) – Class of Business row only
 - Selection must not be empty.
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Form 501

- **Remove section**
Joint Quartile Exceedance Probabilities section (Qu4)
 - The whole of Qu4 is being removed.
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Form 502

- **Input cells changed to Pre-populate**
Net Premium (column A), CAT Exposed (column C), Cyber Exposed (column D)
 - These columns will now be pre-populated from the same columns in form 500.
 - **Remove section**
Joint Quartile Exceedance Probabilities section (Qu2)
 - The whole of Qu2 is being removed.
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Form 503

- **Remove section**
Joint Quartile Exceedance Probabilities section (Qu4)
 - The whole of Qu4 is being removed.
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Form 510

- **Validation cell changed to Pre-populate**
Net Claims 99.5th Percentile (column F) Total
 - This will now be pre-populated from form 313 column I row 5. Previously, form 510 column F Total was being validated to equal form 313 column I row 5.
 - **Remove section**
Joint Quartile Exceedance Probabilities section (Qu2)
 - The whole of Qu2 is being removed.
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Form 511

- **Remove section**
Joint Quartile Exceedance Probabilities section (Qu3)
 - The whole of Qu3 is being removed.
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Form 520

- **Input cells changed to Pre-populate**
Insurance Risk Break Even Percentile cells
 - Two cells (listed below) will now be pre-populated from the Insurance Risk vs. Market Risk (Qu2) Insurance Risk Break Even Percentile cell:
 - Insurance Risk vs RI Credit Risk (Qu3) Insurance Risk Break Even Percentile cell
 - Insurance Risk vs Operational Risk (Qu4) Insurance Risk Break Even Percentile cell
 - **Cells being moved**
Break Even Percentile cells, Qu1-4
 - The two individual risk Break Even cells in each of Qu1-4 are being swapped around to a more intuitive order.
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Form 521

- **Formula change**
Insurance Risk excluding Catastrophe (Qu7), Fully Dependent less Modelled metric
 - The Mean (adjusted) and 99.5th Percentile (adjusted) cells are being corrected to calculate Fully Dependent less Modelled.
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Form 530

- **Validation cell changed to Pre-populate**
Reinsurance Recoveries (Qu1), RI credit risk loss on RI recovery – 99.5th Percentile (cell F1)
 - This will now be pre-populated from form 309 column G row 5. Previously, form 530 column F row 1 was being validated to equal form 309 column G row 5.
 - **New Validations added**
Reinsurance Recoveries (Qu1), RI credit risk loss on RI recovery, row 1
 - The 75th risk distribution (cell C1) must be higher than 50th
 - The 90th risk distribution (cell D1) must be higher than 75th
 - The 95th risk distribution (cell E1) must be higher than 90th
 - The 99.5th risk distribution (cell F1) must be higher than 95th
 - **New Warning added**
Reinsurance Recoveries (Qu1), RI credit risk loss on RI recovery, row 1
 - The 99.5th risk distribution (cell F1) should be higher than the Mean.
 - **New section added**
RI Benefit to SCR (Qu2)
 - New Qu2 is being added.
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Form 540

- **Input cells changed to Pre-populate**

Simulations (Qu1), SCR Percentile (cell A2) and Confidence Level for Range (cell A3) cells

- These cells now be pre-populated with fixed values. SCR Percentile will be pre-populated with “99.5” and Confidence Level for Range with “95%”.
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Form 560

- **New Validations added**

Unnaturally Open Back Year dropdown (UOBY)

- The Unnaturally Open Back Year dropdown (UOBY) must have a value (Yes/No).

- **New Warnings added**

SCR YOA Splits (Qu1)

- The Year of Account (YOA) inputs for unnaturally open back years (Proposed Year (PY) minus 3, PY minus 4, PY minus 5, PY minus 6) should not be entered if the UOBY is selected as “No”.
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Form 561

- **Pre-setup selection of Classes of Business**

The list of Classes of Business which populated the list in form 561 are now going to be populated from the selections made for form 500 - the 500A selection in the pre-setup process. This will require the previous pre-setup process for form 561 to be removed.

- **Calculation field changed to Input cells**

Plan and Modelled Loss ratios (Qu1), Gross Net and Net Net – Total row

- Cells B Total, C Total, E Total, F Total have been changed to be manual inputs.
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Form 562

- **Pre-setup dropdown options for column B (SBF) Classes of Business**

The dropdown options available for the column B dropdown list in the form 562 pre-setup process are now going to be populated from the Syndicate Class of Business table in MDC. Previously, the form 561 pre-setup selections were populating these dropdown options.

Form 570

- **New Warnings**

RICB Impact - QSR (Qu1 – columns A, B, C, D)

RICB Impact - Q4 (Qu2 – columns F, G, H, I)

- These cells should not be negative.

- **New section**

RICB Modelled (Qu3)

- New Qu3 is being added. This is a copy of form 400 Section 5 Qu 2, which is being removed.
 - This will also include an addition validation, to ensure the selection is not empty.
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Form 600

- **New rows**

- Exposure and Risk Margin (section A)

- Ultimate Premium Risk Mean Claims
 - One-year Premium Risk Mean Claims
 - Earned Reserves
 - Ultimate Premium Risk Mean Claims plus $\frac{1}{2}$ Earned Reserves
 - One-Year Premium Risk Mean Claims plus $\frac{1}{2}$ Earned Reserves

- Ultimate (section B) - SCR

- Diversification Credit (stress basis %)
 - Mean vs Ultimate Premium Risk Mean Claims plus $\frac{1}{2}$ Earned Reserves
 - SCR Agreed plus Risk Margin vs Ult Premium Risk Mean Claims plus $\frac{1}{2}$ Earned Reserves
 - SCR Stress vs Ultimate Premium Risk Mean Claims plus $\frac{1}{2}$ Earned Reserves

- Ultimate (section B) – Insurance Risk

- Diversification Credit (stress basis %)
 - Mean vs Ultimate Premium Risk Mean Claims plus $\frac{1}{2}$ Earned Reserves
 - 1:200 plus Risk Margin vs Ultimate Premium Risk Mean Claims plus $\frac{1}{2}$ Earned Reserves

- Ultimate (section B) – Premium Risk

- 1:200 Post-Diversified
 - 1:200 Stress
 - Mean vs Ultimate Premium Risk Mean Claims
 - 1:200 vs Ultimate Premium Risk Mean Claims
 - 1:200 Post-Diversified vs 1:200
 - 1:200 Stress vs Ultimate Premium Risk Mean Claims

- Ultimate (section B) – Reserve Risk

- 1:200 Post-Diversified
 - 1:200 + Allocated Risk Margin
 - Mean vs Earned Reserves
 - 1:200 vs Earned Reserves
 - 1:200 Post-Diversified vs 1:200
 - 1:200 plus Allocated Risk Margin vs Earned Reserves

- Ultimate (section B) – RI Credit Risk

- 1:200 Post-Diversified
 - 1:200 Post-Diversified vs 1:200

- Ultimate (section B) – Market Risk

- 1:200 Post-Diversified
 - 1:200 Post-Diversified vs 1:200

- Ultimate (section B) – Operational Risk

- 1:200 Post-Diversified
 - 1:200 Post-Diversified vs 1:200
 - 1:200 vs Ultimate Premium Risk Mean Claims plus $\frac{1}{2}$ Earned Reserves

- One-Year (section C) – SCR

- Mean vs One-Year Premium Risk Mean Claims plus $\frac{1}{2}$ Earned Reserves
 - One-Year SCR Agreed vs One-Year Premium Risk Mean Claims plus $\frac{1}{2}$ Earned Reserves
 - One-Year Stress vs One-Year Premium Risk Mean Claims plus $\frac{1}{2}$ Earned Reserves

- One-Year (section C) – Premium Risk

- 1:200 vs One-Year Premium Risk Mean Claims
 - Stress vs One-Year Premium Risk Mean Claims

- One-Year (section C) – Reserve Risk

- 1:200 vs Earned Reserves
 - Stress vs Earned Reserves

- **Removed rows**

- Headline section

- Premium Risk Mean
 - Reserve Risk Mean

- Exposure and Risk Margin (section A)

- Premium 1
 - Premium 2
 - Reserves 2
 - Premium 1 plus $\frac{1}{2}$ Reserves 1
 - Premium 2 plus $\frac{1}{2}$ Reserves 2

- Ultimate (section B) - SCR

- Mean vs Premium 1 plus $\frac{1}{2}$ Reserves 1
 - SCR Agreed plus Risk Margin vs Premium 1 plus $\frac{1}{2}$ Reserves 1
 - SCR Agreed plus Risk Margin vs Premium 2 plus $\frac{1}{2}$ Reserves 2

- Ultimate (section B) - Insurance Risk

- Mean vs Premium 1 plus $\frac{1}{2}$ Reserves 1
 - 1:200 plus Risk Margin vs Premium 1 plus $\frac{1}{2}$ Reserves 1
 - 1:200 plus Risk Margin vs Premium 2 plus $\frac{1}{2}$ Reserves 2

- Ultimate (section B) – Premium Risk

- Mean vs Premium 1
 - 1:200 vs Premium 1
 - 1:200 vs Premium 2

- Ultimate (section B) – Reserve Risk

- Mean vs Reserves 1
 - 1:200 vs Reserves 1
 - 1:200 plus Risk Margin vs Reserves 1
 - 1:200 plus Risk Margin vs Reserves 2

- Ultimate (section B) – Operational Risk

- 1:200 vs Premium 1 plus $\frac{1}{2}$ Reserves 1

- One-Year (section C) – SCR

- One-Year Mean vs Premium 1 plus $\frac{1}{2}$ Reserves 1
 - One-Year SCR Agreed vs Premium 1 plus $\frac{1}{2}$ Reserves 1
 - One-Year SCR Agreed vs Premium 2 plus $\frac{1}{2}$ Reserves 2

- One-Year (section C) – Premium Risk

- 1:200 vs Premium 1

- One-Year (section C) – Reserves Risk

- 1:200 vs Reserves 1

- **Row being moved**

- Ultimate (section B) – Risk Margin

- This row was moved from the One-Year Section C.

- **Formula change**

- Headline section, Allocated Risk Margin – Selected Return cells only

- These cells will pre-populate from form 520. Premium Risk will pre-populate from column W row 2, and Reserve Risk from column W row 3.

- One Year (section C), Premium Risk Mean, Reserve Risk Mean – Current and Selected Return cells

- These cells are being corrected to pre-populate. Premium Risk Mean will pre-populate from form 520 column U row 2, and Reserve Risk Mean from form 520 column U row 3.

- Significant Movements column

- New conditional comments have been included for 1:200 contribution and 1:200 Stress.